

DATE: March 28, 2023

Behavioral Health Information Notice No: 23-013

TO: California Alliance of Child and Family Services  
California Association for Alcohol/Drug Educators  
California Association of Alcohol & Drug Program Executives, Inc.  
California Association of DUI Treatment Programs  
California Association of Social Rehabilitation Agencies  
California Consortium of Addiction Programs and Professionals  
California Council of Community Behavioral Health Agencies  
California Hospital Association  
California Opioid Maintenance Providers  
California State Association of Counties  
Coalition of Alcohol and Drug Associations  
County Behavioral Health Directors  
County Behavioral Health Directors Association of California  
County Drug & Alcohol Administrators

SUBJECT: CalAIM Behavioral Health Payment Reform (Payment Reform)  
Readiness Check List

PURPOSE: The purpose of this memorandum is to guide Mental Health Plans, Drug Medi-Cal Organized Delivery System (DMC-ODS) Counties, and DMC Counties to ensure readiness to implement Payment Reform requirements

REFERENCE: Welfare and Institutions Code Section 14184.403, and Section 14184.102

**BACKGROUND:**

The California Advancing and Innovating Medi-Cal (CalAIM) Act requires the Department of Health Care Services to implement Behavioral Health Payment Reform no sooner than July 1, 2022. Payment Reform requires counties to 1) transition, where applicable, from billing for services using the Healthcare Common Procedure Coding System (HCPCS) to Current Procedural Terminology (CPT) codes, 2) be reimbursed using a fee schedule, and 3) use intergovernmental transfers to draw down federal funds. This Behavioral Health Information Notice (BHIN) is intended to provide a checklist of activities counties should complete and return to DHCS by May 19, 2023, to ensure readiness in implementing Payment Reform.

**POLICY:**

DHCS, California Mental Health Services Authority (CalMHSA), and the County Behavioral Health Directors Association have partnered to develop and distribute policy guidance, technical assistance, and incentive funding to ensure counties have the appropriate information and financial resources to implement Payment Reform. Below is a checklist of activities, documentation and resources for review intended to guide counties in successfully implementing Payment Reform. This document should be used as a self-assessment tool for counties to identify any gaps in knowledge, capacity and infrastructure and to address those issues prior to implementing Payment Reform on July 1, 2023 and will not be used for punitive purposes by DHCS. Each county is required to submit the "Behavioral Health Payment Reform Readiness Checklist" enclosure by May 19, 2023.

**Readiness Checklist:**

**CPT Coding Transition:**

Item	Description	Resources & BHQIP Deliverables <sup>1</sup>
Review BHIN 22-046	<a href="#">BHIN 22-046</a> , published August 25, 2022, outlines the necessary information and resources needed by counties to appropriately claim for behavioral health services under Payment Reform.	<u>Short-Doyle Medi-Cal Billing Manuals:</u> <ol style="list-style-type: none"><li>1. <a href="#">Specialty Mental Health</a></li><li>2. <a href="#">Drug Medi-Cal</a></li><li>3. <a href="#">Drug Medi-Cal Organized Delivery System</a></li></ol> <u>Short-Doyle Medi-Cal CPT Code Reference Guides</u> <ol style="list-style-type: none"><li>1. <a href="#">Specialty Mental Health</a></li><li>2. <a href="#">Drug Medi-Cal</a></li><li>3. <a href="#">Drug Medi-Cal Organized Delivery System</a></li></ol> <u>Short-Doyle Companion Guides:</u> The Short-Doyle Medi-Cal Companion Guide is posted to the <a href="#">DHCS Portal</a> . The path to

<sup>1</sup> Under the Behavioral Health Quality Incentive Program (BHQIP), counties may be eligible to receive incentive payments if they choose to complete specified payment reform activities and report on those deliverables as required by DHCS. Please see [BHIN 21-074](#) and [BHIN 23-005](#) for additional guidance on BHQIP. Participation in BHQIP remains optional, and references to BHQIP in this BHIN are for informational purposes only. All counties, regardless of BHQIP participation, are required to implement payment reform and complete the Readiness Checklist as described in this BHIN and enclosure.

Item	Description	Resources & BHQIP Deliverables <sup>1</sup>
		the Companion Guide is as follows: DHCS-BHIS -> Production -> SDMC -> SystemDocumentation -> CompanionGuides.
Program electronic health records (EHR) and/or billing system to implement new coding requirements	Counties must transition to using CPT codes where applicable, consistent with the payment reform billing manuals for SMH and DMC/DMC-ODS first published by DHCS in April 2022 and available via the <a href="#">MedCCC Library</a> . Counties will need to update their EHR and/or claiming systems to appropriately claim for services, including adoption of all relevant business rules outlined in the billing manuals.	<p>Trainings (CalMHSA)</p> <ol style="list-style-type: none"> <li>1. <a href="#">Introductions to CPT Codes</a></li> <li>2. <a href="#">Optimization of CPT Codes for the Majority of Behavioral Health Services</a></li> </ol> <p>CPT Code Reference Guides (CalMHSA)</p> <ol style="list-style-type: none"> <li>1. CalAIM Reference Guide for CPT Codes – <a href="#">Specialty Mental Health Services</a></li> <li>2. CalAIM Reference Guide for CPT Codes – <a href="#">Drug Medi-Cal Counties</a></li> <li>3. CalAIM Reference Guide for CPT Codes – <a href="#">Drug Medi-Cal Organized Delivery System</a></li> </ol>
Program EHR to claim for provided fee schedule rates	Counties will need to update their EHR and/or claiming systems to bill the appropriate amounts to be reimbursed for services. DHCS began to release fee schedules to counties in November 2022. While these rates still require final CMS approval, they should be treated as final rates for purposes of budgeting and claiming as of July 1, 2023. Counties may use proxy rates for the purposes of User Acceptance Testing (UAT) until June 9, 2023, when UAT ends.	<p><b>BHQIP Milestone 1b:</b> Update County claiming systems and successfully submit 837 transactions to the Short-Doyle Medi-Cal (SD/MC) claiming system for county-operated and subcontracted SMHS and DMC-SP/DMC-ODS services.</p> <ol style="list-style-type: none"> <li>1. <b>Deliverable (March &amp; September 2023):</b> Submit documentation that all new claiming rates have been loaded into county systems.</li> </ol>
Train county and contract staff on CPT coding	Both county staff and contracted network providers are required to bill using appropriate CPT codes where possible. Counties must train	<b>BHQIP Milestone 1a:</b> Implement new CPT/HCPCS procedure codes, modifiers, place of service codes, and taxonomy codes.

Item	Description	Resources & BHQIP Deliverables <sup>1</sup>
	<p>county and contract providers on these new requirements.</p> <p>DHCS recommends counties utilize the web-based trainings described below.</p>	<p>1. <b>Deliverable (March 2023):</b> Submit CPT code training plan, including information on availability of training for subcontracted providers and county staff.</p>
<p>Submit test claims to Short-Doyle Medi-Cal</p>	<p>As of January 23, 2023, DHCS opened UAT. Counties may submit test claims to determine their billing systems will appropriately claim for services beginning July 1, 2023. UAT testing may be performed through June 9, 2023.</p>	<p><b>See Attached Documentation:</b></p> <ol style="list-style-type: none"> <li>SD/MC Testing Instructions</li> <li>SD/MC UAT CIN Request Instructions</li> </ol> <p><b>BHQIP Milestone 1a:</b> Implement new CPT/HCPCS procedure codes, modifiers, place of service codes, and taxonomy codes.</p> <p>1. <b>Deliverable (Sept. 2023):</b> Minimum submissions:</p> <ol style="list-style-type: none"> <li>At least 10 claims that pass the Strategic National Implementation Process (SNIP) edit.</li> <li>At least 10 DMC claims that are approved. (Including DMC-ODS or DMC claims).</li> <li>At least 10 SMHS claims that are approved.</li> </ol>
<p>Ensure contract providers can bill appropriate claims to county systems and amend contracts as needed</p>	<p>County contracted providers must bill counties using the appropriate CPT codes. In addition to training providers to use the new code set, counties should validate contract providers' technical capacity to submit accurate claims to the county.</p>	<p><b>BHQIP Milestone 1a:</b> Implement new CPT/HCPCS procedure codes, modifiers, place of service codes, and taxonomy codes.</p> <p>1. <b>Deliverable (March 2023):</b> Submit boilerplate contracts for subcontracted providers that reflect the new code set and claiming requirements.</p>

**Financial Reviews:**

Item	Description	Resources & BHQIP Deliverables
Model fiscal impacts of fee schedule payments	Counties to leverage CalMHSA templates or other tools to model budgeting and overall fiscal impacts of the developed fee schedule.	<p><u>Trainings (CalMHSA)</u></p> <ol style="list-style-type: none"> <li>1. <a href="#">Fiscal Modeling of Proposed Rates</a></li> <li>2. <a href="#">Best Practices for System Shifts Related to Payment Reform</a></li> </ol> <p><u>Fiscal Impact Models (CalMHSA)</u></p> <ol style="list-style-type: none"> <li>1. CalAIM DMC-ODS Outpatient Services <a href="#">Fiscal Impact Model</a></li> <li>2. CalAIM Drug Medi-Cal State Plan Outpatient Services <a href="#">Fiscal Impact Model</a></li> <li>3. CalAIM Specialty Mental Health Outpatient Services <a href="#">Fiscal Impact Model</a></li> </ol> <p><b>BHQIP Milestone 1b:</b> Update County claiming systems and successfully submit 837 transactions to the SD/MC claiming system for county-operated and subcontracted SMHS and DMC-SP/DMC-ODS services.</p> <ol style="list-style-type: none"> <li>1. <b>Deliverable (March 2023):</b> Document or attest to analysis of new rates and progress on rate/contract negotiations with providers. Must include the following information: detailed description of actions the county has taken to model and project Medi-Cal reimbursement post payment reform; description of how the county intends to apply this analysis to develop network provider rates, as applicable; and description of the status of FY 2023-24 rate negotiations with network providers.</li> </ol>

Item	Description	Resources & BHQIP Deliverables
Negotiate contracted provider rates and execute contracts for services	Counties are required to negotiate an appropriate rate of payment for contract providers, as needed to maintain adequate networks. Counties will document their efforts made to develop rates and contracts for providers.	<p>County Budget Tools (CalMHSA)</p> <ol style="list-style-type: none"> <li>1. Rate-Setting: Contractor MH Global <a href="#">Budgeting Template</a></li> <li>2. Rate-Setting: Contractor SUD Global <a href="#">Budgeting Template</a></li> <li>3. Rate-Setting: <a href="#">Global Budgeting Tool</a></li> </ol> <p><b>BHQIP Milestone 1b:</b> Update County claiming systems and successfully submit 837 transactions to the Short-Doyle Medi-Cal (SD/MC) claiming system for county-operated and subcontracted SMHS and DMC-SP/DMC-ODS services.</p> <ol style="list-style-type: none"> <li>1. <b>Deliverable (September 2023):</b> Submit contract execution schedules for all network providers requiring contract updates which may occur on a rolling basis through FY 2024- 25.</li> </ol>
Review BHIN 23-XXX (To be published April 2023) Elimination of Cost Reporting Requirements	BHIN 23-XXX provides policy guidance stating Counties are prohibited from requiring cost reporting as a condition of participation in the SMHS, DMC and DMC-ODS delivery systems. Counties should review this information when negotiating with contract providers for services. This BHIN will be available in April 2023.	

**Intergovernmental Transfers:**

Item	Description	Resources & BHQIP Deliverables
Review BHIN 23-XXX Intergovernmental Transfers (To be published April 2023)	DHCS has issued policy guidance on intergovernmental transfers as a requirement under Payment Reform via BHIN 23-XXX. This BHIN will be available in April 2023.	Training (CalMHSA) 1. Intergovernmental Transfers a. <a href="#">Introduction to Intergovernmental Transfers</a> b. <a href="#">Optimization of Intergovernmental Transfers Based on Local Funding Sources</a>
Review DHCS Intergovernmental transfer FAQ	DHCS has published a <a href="#">FAQ</a> supporting the intergovernmental transfer BHIN. Counties should review this in conjunction with the intergovernmental transfer BHIN and IGT Agreement.	<a href="#">DHCS IGT FAQ</a>  BHIN 23-XXX Intergovernmental Transfers (To be published April 2023)  Training (CalMHSA) 1. Intergovernmental Transfers a. <a href="#">Introduction to Intergovernmental Transfers</a> b. <a href="#">Optimization of Intergovernmental Transfers Based on Local Funding Sources</a>
Review and execute the intergovernmental transfer agreement; implement (IGT) protocol effective July 1, 2023	All counties will be required to sign and execute an intergovernmental transfer agreement to receive payment for behavioral health services under Payment Reform. DHCS has provided various options to counties in operating the intergovernmental transfer of funds. These options are detailed in the supporting policy documents listed in this section and will be incorporated into state-county contracts. Counties will have draft contracts in March of 2023.	<b>Milestone 1c:</b> Implement new IGT agreement protocol <b>1. Deliverable:</b> Submit documentation that all IGT agreement protocols have been implemented.

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Decide if the county will manually transfer funds to DHCS or authorize DHCS to withhold funds from one or more state funds (i.e., Local Revenue Fund, Mental Health Services Fund, or Local Revenue Fund 2011). Establish EFT as needed.	Counties will need to transfer the county share of approved claims for services, plan administration, utilization review and quality assurance before DHCS will be able pay the county. Counties may make manual payments through physical checks and/or an electronic funds transfer (EFT) process or authorize DHCS to withhold a percentage of the county's monthly allocation from one or more state funds. A county that chooses to make manual payment through an EFT process will need to work with the appropriate banking institution to set up the EFT process for transfer to DHCS. Please refer to the IGT BHIN for more information.	BHIN 23-XXX Intergovernmental Transfers (To be published April 2023) Other resources and deliverables noted above.
Develop county policies and procedures for intergovernmental transfers and reconciliation, and train county fiscal staff	Counties will be required to transfer local funds to DHCS for DHCS to draw down federal funds. DHCS will provide each county with a monthly County Fund Account report displaying the balance of funds transferred to DHCS at the beginning of the prior month, all transfers that DHCS received from the county during the prior month, including interest earned, all payments made or scheduled to be made to the county in the prior month, and the ending balance of funds transferred to DHCS. Counties, with support from DHCS, should	Trainings (CalMHSA) 1. <a href="#">Introduction to Intergovernmental Transfers</a> 2. <a href="#">Optimization of Intergovernmental Transfers Based on Local Funding Sources</a>  <b>Milestone 1c:</b> Implement new IGT agreement protocol 1. <b>Deliverable (Due May 2023):</b> Submit Policies & Procedures and/or BHP guidance for county fiscal staff to support new IGT protocol.



Item	Description	Resources & BHQIP Deliverables
	reconcile these transfers and payments with their local records and notify DHCS of any discrepancies. Counties should implement processes and procedures for this activity.	

**Documentation and Resources Review:**

DHCS recommends the following documentation be reviewed by pertinent county staff members and contractors:

**Behavioral Health Information Notices:**

[BHIN 22-046](#) - Technical Documents to Implement CalAIM: BHIN 22-046 describes the technical documentation issued by DHCS to claim properly for behavioral health services. Described below are delivery system specific documents outlined in BHIN 22-046.

BHIN 23-00XX (to be published April 2023) – County Behavioral Health Intergovernmental Transfer: BHIN 2300XY describes the IGT policy and processes for the Medi-Cal behavioral health delivery systems. The BHIN contains a form counties must submit to DHCS to elect to transfer funds through manual payments or monthly withholds.

BHIN 23-00XX (to be published April 2023) – Elimination of Cost Reporting Requirements for Counties and Providers: BHIN 23-00XY informs counties about the elimination of cost reporting requirements in support of the Cal AIM initiative.

**Short-Doyle Medic-Cal Billing Manuals:**

1. [Specialty Mental Health](#)
2. [Drug Medi-Cal](#)
3. [Drug Medi-Cal Organized Delivery System](#)

**Short-Doyle Medi-Cal CPT Code Reference Guides:**

1. [Specialty Mental Health](#)
2. [Drug Medi-Cal](#)
3. [Drug Medi-Cal Organized Delivery System](#)

### **Short-Doyle Companion Guides:**

The Short-Doyle Medi-Cal Companion Guide is posted to the [DHCS Portal](#). The path to the Companion Guide is as follows: DHCS-BHIS -> Production -> SDMC -> SystemDocumentation -> CompanionGuides.

### **Web Based Training:**

CalMHSA has developed a series of web-based trainings for both counties and contract providers under the [Learning Management Systems](#) tool to assist in implementation of CalAIM initiatives. Counties should encourage contract providers to review the training specifically designed for implementation of Payment Reform.

CalMHSA in coordination with DHCS provided a series of Payment Reform related trainings in 2022. These trainings are recorded and are available for review by counties and contract providers along with associated training materials on the [CalMHSA website](#) and below:

1. CPT Coding:
  - a. [Introductions to CPT Codes](#)
  - b. [Optimization of CPT Codes for the Majority of Behavioral Health Services](#)
2. Intergovernmental Transfers
  - a. [Introduction to Intergovernmental Transfers](#)
  - b. [Optimization of Intergovernmental Transfers Based on Local Funding Sources](#)
3. [Fiscal Modeling of Proposed Rates](#)
4. [Best Practices for System Shifts Related to Payment Reform](#)

### **Recommended tools:**

#### CPT Code Reference Guides

1. CalAIM Reference Guide for CPT Codes – [Specialty Mental Health Services](#)
2. CalAIM Reference Guide for CPT Codes – [Drug Medi-Cal Counties](#)
3. CalAIM Reference Guide for CPT Codes – [Drug Medi-Cal Organized Delivery System](#)

#### Fiscal Impact Models

1. CalAIM Drug Medi-Cal ODS Outpatient Services [Fiscal Impact Model](#)
2. CalAIM Drug Medi-Cal State Plan Outpatient Services [Fiscal Impact Model](#)
3. CalAIM Specialty Mental Health Outpatient Services [Fiscal Impact Model](#)

#### County Budget Tools

1. Rate-Setting: Contractor MH Global [Budgeting Template](#)
2. Rate-Setting: Contractor SUD Global [Budgeting Template](#)
3. Rate-Setting: [Global Budgeting Tool](#)

#### **Behavioral Health Quality Improvement Program (BHQIP) Incentives & Deliverables:**

Each County Behavioral Health Plan can earn incentive payments in the CalAIM BHQIP by completing deliverables tied to program milestones. Funds may be used at each county's discretion to accomplish CalAIM requirements including but not limited to staffing, technology, and infrastructure, contracting, training and/or technical assistance. To earn incentive payments for Payment Reform milestones, counties must submit required deliverables, in the form of reporting and/or attestation, by the reporting deadlines prospectively identified by DHCS in March 2023, May 2023, or September 2023. DHCS's [BHQIP website](#) provides all necessary documentation requirements to receive incentive funds. The payment reform milestones and deliverables for which BHQIP incentive payments have been made available include:

#### Deliverables for March 2023

1. **Milestone 1a:** Implement new CPT/HCPCS procedure codes, modifiers, place of service codes, and taxonomy codes.
  - **Deliverable:** Submit boilerplate contracts for subcontracted providers that reflect the new code set and claiming requirements.
  - **Deliverable:** Submit CPT code training plan, including information on availability of training for subcontracted providers and county staff.
2. **Milestone 1b:** Update County claiming systems and successfully submit 837 transactions to the SD/MC claiming system for county-operated and subcontracted SMHS and DMC-SP/DMC-ODS services.
  - **Deliverable:** Document or attest to analysis of new rates and progress on rate/contract negotiations with providers. Must include the following information: detailed description of actions the county has taken to model and project Medi-Cal reimbursement post payment reform; description of how the county intends to apply this analysis to develop network provider rates, as applicable; and description of the status of FY 2023-24 rate negotiations with network providers.

Deliverables for May 2023

1. **Milestone 1c:** Implement new IGT agreement protocol
  - a. **Deliverable (Due May 2023):** Submit Policies & Procedures and/or BHP guidance for county fiscal staff to support new IGT protocol.

Deliverables for September 2023

1. **Milestone 1a:** Implement new CPT/HCPCS procedure codes, modifiers, place of service codes, and taxonomy codes.
  - o **Deliverable:** Minimum submissions: 1. At least 10 claims that pass the SNIP edit. 2. At least 10 DMC claims that are approved. (Including DMC-ODS or DMC claims). 3. At least 10 SMHS claims that are approved.
2. **Milestone 1b:** Update County claiming systems and successfully submit 837 transactions to the SD/MC claiming system for county-operated and subcontracted SMHS and DMC-SP/DMC-ODS services.
  - o **Deliverable:** Submit documentation that all new claiming rates have been loaded into county systems.
  - o **Deliverable:** Submit contract execution schedules for all network providers requiring contract updates which may occur on a rolling basis through FY 2024- 25.
3. **Milestone 1c:** IGT agreement protocol
  - o **Deliverable:** Submit documentation that all IGT agreement protocols have been implemented.

While BHQIP participation is optional, payment reform implementation is required. All counties, regardless of BHQIP participation, must implement payment reform and complete the Readiness Checklist as described in this BHIN.

Readiness Checklist Addendum and questions must be emailed to [bhpaymentreform@dhcs.ca.gov](mailto:bhpaymentreform@dhcs.ca.gov) by May 19, 2023.

Sincerely,

Original signed by

Brian Fitzgerald  
Local Governmental Financing Division

Enclosures